

1 **VIRGINIA TOBACCO INDEMNIFICATION**
2 **AND COMMUNITY REVITALIZATION COMMISSION**

3 701 East Franklin Street, Suite 501
4 Richmond, Virginia 23219
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9 **Southwest Economic Development Committee Meeting**

10 Monday, January 6, 2014

11 2:30 P.M.
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13 Hilton Richmond Hotel & Spa/Short Pump
14 12042 West Broad Street
15 Richmond, Virginia 23233
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1 **APPEARANCES:**

2 The Honorable Terry G. Kilgore, Chairman

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4 Dr. David S. Redwine, DVM, Committee Chairman

5 The Honorable Charles W. Carrico, Sr., Vice Chairman

6 The Honorable Mary Rae Carter, Deputy Secretary

7 Commerce and Trade, Rural Development

8 Mr. H. Ronnie Montgomery

9 Ms. Beth D. Rhinehart

10 The Honorable Ralph K. Smith

11 Mr. John Stallard

12

13 COMMISSION STAFF:

14 Mr. Timothy S. Pfohl – Interim Executive Director & Grants

15 Program Administration Director

16 Mr. Ned Stephenson – Deputy Executive Director

17 Ms. Stephanie S. Kim – Budget Director

18 Ms. Sara G. Williams – Grants Program Administrator,

19 Southwest Virginia

20 Ms. Jessica Stampler – Grants Assistant, Southwest Virginia

21 Ms. Caroline Bringman – Performance Data Analyst

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1 DR. REDWINE: Good afternoon. I
2 welcome everyone to the Southwest Economic Development
3 Committee meeting. And we'll get started right now. Tim,
4 would you call the roll.

5 MR. PFOHL: Senator Carrico?

6 SENATOR CARRICO: Here.

7 MR. PFOHL: Ms. Carter?

8 DEPUTY SECRETARY CARTER: Here.

9 MR. PFOHL: Mr. Montgomery?

10 MR. MONTGOMERY: Present.

11 MR. PFOHL: Dr. Redwine?

12 DR. REDWINE: Here.

13 MR. PFOHL: Ms. Rhinehart?

14 MS. RHINEHART: Here.

15 MR. PFOHL: Senator Smith?

16 SENATOR SMITH: Here.

17 MR. PFOHL: Mr. Stallard?

18 MR. STALLARD: Here.

19 MR. PFOHL: You have a quorum, Mr.

20 Chairman.

21 DR. REDWINE: Thank you, sir. I believe
22 all of you should have been supplied with a copy of the
23 minutes from the meeting on September 26, 2013. Are there
24 any additions or corrections to be made? If not, I have a
25 motion to approve the minutes. All those in favor say aye.

1 (Ayes.) Opposed? (No response.) The minutes are approved.
2 The next item on the agenda is the King School of Medicine. I
3 believe we have a delegation here for this project and some
4 new faces with us today. Mr. Zaidi, are you going to speak
5 first?

6 MR. ZAIDI: I'm Tariq Zaidi and I'm the
7 Interim President of the King School of Medicine. I have with
8 me today the mayor of Abingdon and Mr. Haney, Vice
9 President of Academic Affairs at Emory & Henry and Jeff
10 Mitchell. I want to give you an update since we last met in
11 September.

12 We've been pretty busy since that time.
13 We had a meeting after we left here in October with Emory &
14 Henry and we've had discussions with them many times.
15 They've had a transition of leadership and we were able to sit
16 down with Mr. Haney and the President and met the
17 Chairman of the Board of Emory & Henry. They've been very
18 strong in indemnifying this project. Two meetings and they're
19 already involved with us in this project. They are going to use
20 whatever means they have to help leverage all this. We're all
21 trying to put this project together. They're a very strong
22 partner. We've also had significant discussions with other
23 potential folks that are interested. I'm going to ask Mr. Haney
24 to say a few words.

25 MR. HANEY: Thank you very much. I'm

1 very happy to be involved and met Tariq and since October
2 we've been in conversations with him before our new president
3 came in. The only reason our new president is not here today
4 he's in Florida meeting with some people including this
5 project. We're very committed and we do have a number of
6 resources to bring to the table including a hospital that we
7 now own in Marion as well as some cash resources and other
8 grants and we also have some AFC grants and there's a
9 number of other things in the hopper. So we're very excited at
10 this partnership developing to this medical school project.
11 We're now committed to be a partner in this project.

12 MR. ZAIDI: We've been invited to meet
13 with the University of Virginia on December 19th and at that
14 meeting we met with the Chief Operating Officer for the
15 University, the Healthcare System and the hospital and the
16 medical school. The dean of the medical school Dr. Dunlap
17 and there were other representatives there and also
18 representatives of Virginia Telemedicine. What struck us was
19 the fact that UVA has spent a considerable amount of time
20 internally talking about this project and about healthcare for
21 Southwest Virginia. We set the meeting for 45 minutes; it
22 went on for two hours. Coming out of that discussion, they
23 said they are very interested in this project and they are
24 committed to the needs of Southwest Virginia and they want
25 to be part of the solution. We have some follow-up meetings

1 trying to continue this discussion to bring UVA into this
2 project.

3 LifePoint Hospital System in Southside
4 and Southwest Virginia we met with them again and this
5 morning we had communications with them and
6 unfortunately one of their administrators could not come but
7 they do affirm their commitment to partner in this project. We
8 have confirmed and continued talking with the ETSU about
9 this. We're trying to come together to globally create a
10 solution. I think it's most important that we're getting the
11 right people now together to further this project along. Now,
12 you have Emory & Henry and their reputation and they're
13 agreeing to help raise funds. We have other folks that are
14 committed to help raise resources. This morning, I talked
15 with the president of First Bank and Trust and he told me to
16 tell you that First Bank and Trust is financially behind this.
17 He's going to be able to divulge how much money they'd be
18 able to put into this. There's been some private conversations
19 and there are other groups coming together. All the folks
20 seem to be very excited about this project.

21 So, as we come to you today, we're really
22 asking for an extension of the status quo until the next
23 meeting so that we can make these things happen. We're not
24 asking for Tobacco Commission funds and we have some
25 funds from private parties so we're very excited about the

1 possibility of this and I appreciate the opportunity to come
2 before you today. I might note that Mr. Morgan is here.

3 MR. MORGAN: Thank you very much.

4 As Mayor of Abingdon, I've been involved in this project since
5 the day this Commission said they wanted to see a medical
6 school in Southwest Virginia. We're involved in the project
7 because we see maybe an opportunity for improving
8 healthcare in Southwest Virginia. I understand that the King
9 School has now been changed to Southwest School of
10 Medicine. Like all of you, I can't say this is someone that's
11 been involved in this from the earliest inception of the project.
12 There's been a series of frustrations about it and I'm well
13 satisfied as is the leadership of our town at the present time
14 we have the right folks on the bus and they're rapidly finding
15 the right seats. I think we've got the right partners in place for
16 this to be successful and although it's taken a while for them
17 to get there. Ultimately what we'll end up with is a strong
18 collaboration. Certainly the Tobacco Commission support is
19 essential but we are building some of the support that will be
20 required from the private sector and from the educational
21 institutions and from the public sector. We're essentially
22 building a collaboration of all the institutions and breaking
23 ground for a positive change in the health of our region.
24 There's no doubt that the lead we have is great and the
25 aspirations of the project is that it will help to deal with the

1 issues of obesity and addiction and all the healthcare
2 problems we have in Southwestern Virginia and we think this
3 will be addressed effectively by hospitals and other
4 institutions. This is something like an institution like
5 Southwestern Virginia School of Medicine can take a
6 leadership role and help break ground and that's what we
7 need. Thank you.

8 DR. REDWINE: Thank you, sir. Any
9 questions? We appreciate the summary and the report and
10 what's going on since we met in September. There may or
11 may not be some additional questions from the Committee. At
12 this time, I'd like to open up the floor to any member of the
13 Committee that has a question and as they see fit from any of
14 the gentlemen that have addressed us today.

15 SENATOR CARRICO: My understanding
16 now is that King College is not involved in this and that you're
17 now seeking assistance from Emory & Henry and UVA and
18 other partners to be part of this? What's the commitment you
19 have right now other than these two organizations? Do you
20 still have ETSU?

21 MR. ZAIDI: ETSU, yes.

22 SENATOR CARRICO: Do you have these
23 documents they signed earlier or letters of intent that they
24 signed?

25 MR. ZAIDI: Yes.

1 SENATOR CARRICO: You're not asking
2 for any funds, you're just asking for a continuance to continue
3 the funding we provided and that was stopped last time?

4 MR. ZAIDI: Just the prior expenses.

5 SENATOR SMITH: DCON has done
6 what's been attempted here for a number of years and forged
7 relationships that virtually every hospital in Southwest
8 Virginia. If you bring things together and get other
9 commitments, my question is how do you make this a success
10 in the end with that? And I understand you had recent
11 discussions with them. How is your relationship and how is it
12 working as far as Southwest Virginia and they have
13 relationships and then there'd be two competing colleges with
14 the population in Southwest Virginia. I don't see how it
15 works, maybe you can tell me that. How can you do it and
16 after we've talked about it and I've only been on this
17 Commission a couple of years and maybe this has gone
18 around long before I got here so I just can't see how you put it
19 together.

20 MR. ZAIDI: It involves a long discussion
21 and it certainly is an issue that requires a lot of resources but
22 we feel like people like LifePoint who has five hospitals in the
23 region and we have a strong relationship with them and
24 they're committed to bring additional slots along with clinical
25 resources for undergraduate medical education. What's also

1 brought to the table is the Southwest Virginia relationship
2 with the United States Hospital System. It's not unusual for
3 hospitals to have a relationship with multiple institutions.
4 Wellmont has a relationship with ETSU and many others. We
5 believe that in Southwest Virginia there are still resources
6 available and we certainly have some strong commitments
7 from a very strong system to work with us and that's part of
8 the discussion with UVA.

9 MR. MONTGOMERY: As I understand it,
10 and I'm familiar somewhat with Virginia Tech and Carillion.
11 You're thinking along those lines with UVA and, are you?

12 MR. ZAIDI: We're looking at a
13 partnership. With Virginia Tech we looked originally but the
14 costs were so prohibitive in my opinion. When you have a
15 partnership, essentially a school will sponsor you under their
16 accreditation and work towards that and I think it's much
17 more economical and efficient and has less risk to it.

18 MR. MONTGOMERY: How many
19 students are you talking about there per class?

20 MR. ZAIDI: Right now we're thinking in
21 the neighborhood of 42, that's the number we've got projected.
22 That's our target right now.

23 DR. REDWINE: Other questions or
24 comments?

25 DELEGATE KILGORE: I think they've

1 made some progress. I believe the addition of Emory & Henry
2 to the project bodes well for them and the community is
3 behind it and apparently very committed to the project.

4 DR. REDWINE: Thank you, sir. Your
5 request today is to extend with another report prior to our
6 meeting in May, is that correct?

7 MR. ZAIDI: That's basically it.

8 DR. REDWINE: On behalf of the
9 Committee, I think it's good to stay on top of this thing and
10 don't let it go too long. I know it's been a short fifteen minutes
11 to state where you are. You know the rough water we've been
12 through before and we're fine with smoothing the waters out
13 as long as there's some significant progress and concrete
14 progress. We're all happy to hear you have new partners and
15 they're willing to come on with you, brain power and
16 manpower but financial resources. To this Committee that's
17 an important piece. I would ask the gentlemen from Emory &
18 Henry, I believe that if you're confident you can put significant
19 capital and raise money for this project. How realistic would it
20 be for this Committee to ask you for a report of solid and
21 concrete financial commitment in May?

22 MR. HANEY: I think that would be very
23 realistic for that commitment because, you know our situation
24 in Marion and we've worked there with the Tobacco
25 Commission. We're looking at and the hospital property is

1 assessed, the tax value is \$11.47 million and we've got a \$5
2 million grant from the Smith County Community Foundation
3 and we've got another grant for a half million dollars and we're
4 looking at New Market tax credits or historical tax credits and
5 the USDA loans and that's not counting with the fundraising.
6 We can certainly give you a report in May on the financial
7 resources we're able to bring to the table and a report on the
8 fundraising efforts.

9 DR. REDWINE: I think it would be very
10 important if you could do that and helpful to the project if you
11 have those kind of details available. Please don't take this as
12 being directed at you because I do have confidence in you and
13 all the partners. We've all heard there are people out there,
14 donors out there. We need to see some commitment to some
15 extent. We know it's an ongoing process but we need some
16 and if you can put a detailed report together that would really
17 be helpful.

18 MR. HANEY: And the other alternatives
19 we're pursuing and one of the advantages for us we see here is
20 an opportunity for inter-professional training and a team
21 based approach to healthcare and that's one of our priorities.
22 We're not just running out and raising money for this project
23 but it's all part of our priorities and priority for economic
24 development. So we're committed to that and I think we can
25 provide you a report.

1 SENATOR SMITH: Mr. Chairman, I'm
2 not sure that this Board or any of the presenters here are
3 aware of how much competition there is. I mentioned DCON
4 because I believe what you're intending to do is along the lines
5 of what DCON, DCON is in addition to the Virginia Tech
6 Carillion, that's two different entities. DCON has a
7 relationship with Virginia Tech but the Carillion Virginia Tech
8 Medical Center in Roanoke is a different animal. Maybe you're
9 chasing the same opportunities and I couldn't imagine how it
10 works. DCON is growing much faster than any of the others.
11 They're building schools in other states now because they've
12 gotten such a good plan. If the University funds it, you're
13 going to find yourselves not only a challenge for yourself but
14 it's going to be a challenge put against others there that are
15 now doing a good job.

16 DR. REDWINE: Thank you, sir.
17 Certainly, we'll take a motion. I certainly don't want to be the
18 person to lead you in any direction because I want this
19 Committee to be its own body. All right, we have a meeting
20 scheduled in late May. If we get the report, we'd like to have
21 the report to staff by May 1st and then that would give the staff
22 like three weeks to look into it and go through it and then they
23 could relay its contents to members of the Committee that's if
24 we get to that point.

25 MR. MONTGOMERY: If they could

1 present a pro forma or a business plan at that time that would
2 be appreciative.

3 MR. ZAIDI: Yes, sir.

4 SENATOR CARRICO: I'd like to make a
5 motion that we move forward with our commitment with the
6 understanding that the plan will be presented to us at the May
7 meeting with the business plan.

8 DR. REDWINE: Senator Carrico makes a
9 motion, Mr. Montgomery has seconded it. And included in the
10 record we'd like to have a business plan at that time.

11 MR. ZAIDI: I understand.

12 DR. REDWINE: And the other items we
13 discussed. We have a motion and we have a second. Any
14 further discussion or questions? All right.

15 MR. STEPHENSON: Mr. Chairman, just
16 so we're clear and on the same page here. The status of the
17 grant, I believe is that originally approved for \$25 million
18 limited to construction only. You later granted King College
19 latitude to use \$1 million of the \$25 for non-construction
20 purposes, which it has substantially consumed. The status
21 we are left with is a \$24 million grant limited for construction
22 only. There will be no disbursements between now and May
23 unless it is for construction. I want to make sure that staff
24 understands or is instructed properly as to what we're to do
25 with the remaining \$24 million.

1 DR. REDWINE: I think the gentleman
2 here understands that and we'll make it clear to the
3 Committee and you did say and we are under the
4 understanding that there will be no disbursements.

5 MR. ZAIDI: 2014 on that will be borne by
6 private sources.

7 SENATOR CARRICO: Is this still a
8 project of King School of Medicine or –

9 MR. ZAIDI: It's still King School of
10 Medicine, the same body that the grant was issued to, same
11 legal entity. We're still in business as. It will transfer next
12 year. The King School of Medicine was formed.

13 UNIDENTIFIED: The initial grant was
14 issued to King College, then a Virginia corporation called the
15 King School of Medicine was formed and you all transferred
16 the grant to that college. It bears similarity only to King
17 College in that it has that name even though it's now doing
18 business as Southwest Virginia School of Medicine. And there
19 are some board members who are affiliated with King College.
20 Otherwise, it's independent of that transition.

21 DR. REDWINE: Any other discussion?

22 SENATOR SMITH: I have a substitute
23 motion. I think we've gone on with this long enough and as
24 long as we can afford it and the fact that so much has
25 changed creating even different entities. We should invite

1 them to reapply and we're not dealing with the same entity
2 any more. We should discontinue this project and it's gone on
3 and on and on and that's my motion.

4 DR. REDWINE: We have a substitute
5 motion to discontinue by Senator Smith. Do I have a second?
6 Hearing none, now we'll refer back to the original motion.
7 Senator Carrico made the motion, Mr. Montgomery seconded
8 the motion. All those in favor signify by saying aye. (Ayes.)
9 Opposed? (No response.)

10 Thank you, sir. We have some other
11 items at this time to take up and I'll refer to Mr. Pfohl.

12 MR. PFOHL: Thank you, Mr. Chairman.
13 Last week the staff sent the Committee a report on some grant
14 proposals that were tabled at your September meeting and
15 one new additional grant proposal and some business
16 regarding repurposing a proposal that you awarded in
17 September. I'll tell the Committee you have a current
18 available balance of just over \$1.8 million. You had three
19 grant proposals tabled in September and you have that in
20 front of you I believe. They all seek funding consideration
21 today. New funding requests received in December and that's
22 2841, that's additional funding for the Virginia Coalfield
23 Coalition, Virginia Coalfield 4G Wireless Project #2841. This
24 Committee has been funding this over the past few years. The
25 repurposing of an existing grant.

1 The repurposing of an existing grant is
2 requested by Bland County Economic Development Authority,
3 Bland County Industrial Park Extension #2737, which you
4 approved for \$700,000 in September. Whatever the will of the
5 Committee is to take these on and provide you some
6 background.

7 DELEGATE KILGORE: On the Bland, it's
8 not new money, it just allows them to use it to acquire an
9 additional industrial site.

10 MR. PFOHL: Yes. It was originally heard
11 in September or approved to acquire the Greenfield property
12 for a potential or confidential economic development prospect.
13 The county is now requesting that those funds of \$700,000 be
14 repurposed and used for acquisition of an existing industrial
15 site owned by the county. Staff is recommending approval of
16 that repurposing.

17 DELEGATE KILGORE: That has to be
18 completed so that the county can make this happen.

19 MR. PFOHL: That's correct. This is part
20 of the Virginia incentive package that go to this confidential
21 economic prospect. The state resources including the
22 Governor's Opportunity Fund and Virginia Small Business
23 Financing Resources and is focused on the same purpose as
24 this request is here which is acquisition of the existing site.

25 DR. REDWINE: It's probably the most

1 cut and dried project on the table here today. Let's deal with
2 that one. Any questions about it? It's an important project for
3 that area. This is fairly significant in their ability to move.
4 Any other questions or comments?

5 SENATOR CARRICO: I make a motion
6 we approve this grant and repurpose it.

7 DR. REDWINE: Senator Carrico makes a
8 motion we repurpose the grant so they can purchase the
9 existing property.

10 MS. RHINEHART: Second.

11 DR. REDWINE: We have a motion and a
12 second. Any further discussion? All those in favor say aye.
13 (Ayes.) Opposed? (No response.)

14 MR. PFOHL: You have, as I mentioned,
15 three proposals that were tabled in September and the request
16 was in December. \$1.8 million is available at your
17 Committee's disposal and the requests exceed that amount
18 and we operate on a motion.

19 DR. REDWINE: I know we have some
20 people here that want to speak to these projects. Some may
21 be more prepared than others. Some have certain details that
22 go along with them we need to discuss. I know people are
23 here today from Secure Mountain that want to talk and so we
24 need to know what direction we're all going. Mr. Foresman.

25

1 MR. FORESMAN: We wanted to come
2 back to the Committee and look at the timeframe and see
3 what was the possibility of getting the Tobacco Commission
4 either in whole or in part and showing a firm commitment to
5 the development of this site. The development of high
6 technology and high technology paying jobs in Southwest
7 Virginia. We're going into discussions with this prospect in
8 the January timeframe and we're looking for a clear signal
9 from the Commonwealth specifically through the Tobacco
10 Commission and your interest in promoting technology in
11 Southwest Virginia. Considering all the investments the
12 Tobacco Commission has made in Southwest Virginia, what's
13 before you today and as we shared with staff, the timing of
14 this is very important and it's important we show a good faith
15 commitment on the part of the Commonwealth to this
16 prospect in order to get this deal done. Having said that, we
17 also recognize that the financial decisions this Committee
18 faces and we're certainly willing to work with the Commission
19 in any form or fashion that would be reasonably possible on
20 our end in order to move this project forward.

21 DELEGATE KILGORE: You realize we
22 only have \$2.2 million in our budget right now.

23 MR. FORESMAN: I do recognize that, Mr.
24 Chairman.

25 DELEGATE KILGORE: When you say

1 you're looking for a commitment, what type of commitment are
2 you looking for?

3 MR. FORESMAN: Mr. Chairman, we
4 have shared with the staff part of this deal about \$1.1 million,
5 which would allow us to initiate some of the more time
6 sensitive activities that have a long timeframe in order to get
7 done. The request we put before you is please take that \$1.1
8 million request and work from that. We'd like to reinforce our
9 commitment and we'd like to see the full grant request but the
10 \$2.3 million of the original request.

11 DR. REDWINE: Thank you, sir. At this
12 time, the property itself is still owned by whom?

13 MR. FORESMAN: Mr. Chairman, it's
14 owned by the land corporation, which owns 166 acres
15 aboveground and the 22 acres below ground. We do have a
16 portion of the site, up to twelve acres which is on the southern
17 portion of the property adjacent to the Norfolk Southern rail
18 line. We went in and had preliminary engineering done for the
19 potential installation of a railroad siding. As we indicated to
20 staff, that is a contribution that we certainly can find to make
21 available to not only to Scott County but I think the entire
22 region. A large rail site operation down there would certainly
23 indicate that we could do some transfers at that site.

24 DR. REDWINE: I want to get out today
25 some details on guidelines that we have to go by and make

1 sure that we do what we're allowed to do and can do. Nobody
2 doubts or denies that this is a very, very good project that will
3 bring jobs and certainly a lot of investment. We want to help
4 you the best way we can and put you in a position to get you
5 the most help within the guidelines and parameters of the
6 Commission. I'd like to request some input from staff as well
7 as counsel on the options for this particular grant and the
8 operations of this particular Committee and what we can and
9 cannot do as the project and the request from the grantee is
10 currently lined up. If Mr. Stephenson or Mr. Pfohl in any
11 order please.

12 MR. PFOHL: First off, the staff has had
13 conversations with the county and Mr. Foresman about the
14 TROF as being a potential resource for this. The TROF
15 number that was initially generated is not accomplished or
16 even getting near the improvements to the property that Mr.
17 Foresman referred to back in September. One of the options
18 we've discussed with the county and the company is that
19 they're a service property that might align better with our
20 program objectives if the request is revised to come forward
21 with an independent appraisal of the service property and a
22 request for Commission funds to be used by the county EDA
23 to purchase the property from the company and then take the
24 proceeds of that sale and make improvements to the property.
25 That would put an industrial property in the forefront for the

1 county EDA. That still, even in combination with TROF is not
2 going to get the company quite as far as they'd like to be.

3 The other side of the conversation we
4 have had and I pointed out the issue of constitutional
5 prohibition against providing public funds to a private entity
6 without some measureable public benefit. Mr. Foresman has
7 provided information that the job creation anticipated within
8 the standard 36 month period of time typically with the TROF
9 program is 28 FTEs jobs created and \$22 million of
10 investment in the first 36 months. If the Committee chooses
11 to provide some funding to this entity, it would be my
12 recommendation and of course, I'll defer to counsel on this
13 but any grant recommendation be accompanied by a
14 commitment and the full form of a performance agreement
15 with the company to achieve that job creation and private
16 investment in the first 36 months with the claw back
17 provisions.

18 DELEGATE KILGORE: And the EDA.

19 MR. PFOHL: Yes.

20 MR. BALLOU: The Constitutional issues
21 regarding using public funds for private benefit, the
22 corresponding receipt of benefits back to the public in a way
23 that would benefit job creation and taxable benefits. I think
24 that is the route that the Commission, I think that's where Mr.
25 Pfohl was headed and that's correct.

1 DR. REDWINE: Thank you, sir. Do you
2 have anything to add Mr. Stephenson?

3 MR. STEPHENSON: The TROF formula
4 yields a grant amount of \$160,000 far short of what is needed.
5 The Commission can if it chooses award more than that
6 under the TROF program and it has that authority but it
7 would be up to the Commission. You have some latitude
8 beyond 160 the formula supports.

9 DELEGATE KILGORE: Is it a possibility
10 that we could the Commission as a whole could award some of
11 those dollars from TROF?

12 MR. STEPHENSON: Yes, if it is over the
13 guidelines, the full Commission can go over the line on a
14 majority vote and within the limits of the dollars available in
15 TROF.

16 DR. REDWINE: Outside the guidelines of
17 the format of TROF, we're prohibited by the Constitution to
18 grant money to a –

19 MR. BALLOU: The nature of this
20 Committee is that projects of this magnitude are generally
21 handled by the TROF Committee or perhaps before the
22 Executive Committee and up to the full Commission.

23 DELEGATE KILGORE: We could do it
24 with the Executive Committee for a recommendation and then
25 to the full Committee on TROF.

1 MR. BALLOU: Yes, you have the
2 Executive Committee and all the members of the TROF
3 Committee that would be sitting there, almost the full
4 Committee as a whole.

5 DELEGATE KILGORE: This is a very
6 diverse project and I know your mission is to diversify the
7 economy and there's no other project like this and it's very
8 unique and I think you could handle that to go back and get
9 the Scott County EDA if you all would look at that agreement,
10 that would be one way to handle it.

11 DR. REDWINE: Briefly, I want to have
12 Mr. Pfohl comment on one of the other options or other topics
13 knocked around Special Projects. Would you comment on this
14 as it relates to Special Projects?

15 MR. PFOHL: Actually, this proposal was
16 originally submitted to the Special Projects program and that
17 program requires participation in projects by three or more
18 localities. This project does not have that feature and if you
19 refer from Special Projects over to this Committee back in
20 September I believe, hopefully we could avoid the funding claw
21 back and go in that direction.

22 DR. REDWINE: All right, ladies and
23 gentlemen, any comments or solutions?

24 DELEGATE KILGORE: One of the
25 solutions is I don't think we can get to it under a, we could get

1 some of the way there with TROF presenting this to the
2 Executive Committee but I think you can get some of these
3 dollars from the TROF.

4 MR. STEPHENSON: I would agree you
5 could get some.

6 MR. PFOHL: You could prioritize the
7 \$2.27 million that they requested here. The top priority is for
8 construction and the second is an entrance that costs about
9 \$930,000. There are five priorities all together and the second
10 is installation and power, \$375,000 and then the list goes
11 down from there and those numbers may have changed.

12 MR. STEPHENSON: There's been a little
13 bit of conversation today from Mr. Foresman and we talked
14 some several months ago about the possibility of the EDA
15 acquiring or purchasing a portion of this land or rail side
16 piece. I understand from John Kilgore and I talked with the
17 EDA for future planning purposes. I only bring that up to say
18 that that idea is still alive and it might be possible that as far
19 as the consideration right now it would be a land transaction
20 and some restrictions involving that rail side. Assuming Mr.
21 Foresman's client is still willing to negotiate that way.

22 MR. FORESMAN: Yes, they would be.

23 DR. REDWINE: To clarify that particular
24 option, if the Scott County EDA and the Secure Mountain
25 group would reach an agreement to sell the railway site to

1 EDA then the EDA could submit a grant application to this
2 Committee and it would be funded in order for them to
3 purchase that land and then Secure Mountain could in turn
4 use that money from the sale of the property to fund some of
5 their other developments.

6 MR. STEPHENSON: Yes, sir.

7 DR. REDWINE: That's one option. Let
8 me ask you straight up Mr. Foresman if we go to TROF with
9 any of this and we're able to find you some money through
10 TROF even if it wasn't a large amount, realizing that in
11 exchange for that TROF agreement, you would then guarantee
12 so many jobs and guarantee so much investment within 36
13 months, is that something you'd be willing to do?

14 MR. FORESMAN: Without question, Mr.
15 Chairman. You all know my background. I managed
16 programs in my previous life in state government and then at
17 the federal level. And I think performance records are
18 absolutely wonderful and certainly willing to entertain those.

19 DR. REDWINE: Let's keep those things
20 in mind. We'd like to let this simmer for a few moments and
21 we have a couple of other tabled items and we'll hear from
22 them and we'll come back to this if there's any action.

23 MR. PFOHL: We have a list of the other
24 tabled proposals as well as the new request and that's on the
25 screen. The other tabled proposals are #2730 Scott County

1 Economic Development Authority Riverside Development
2 Phase I and they've reduced that request to \$548,493 that was
3 tabled in September. Then we have #2742 Southwest Virginia
4 Higher Education Center Foundation Compressed Natural Gas
5 Public Fueling Station, requesting \$630,000 and that's been
6 changed to a \$355,000 request. Recently the Virginia
7 Coalfield Coalition has requested \$1,500,000 for the 4G
8 Wireless Project in Southwest Virginia.

9 DR. REDWINE: Let's discuss the
10 Coalfield Coalition 4G Wireless Project. Update us on what
11 has happened so far and let's see what's available today.

12 MR. SKINNER: Thank you, Mr.
13 Chairman, it's a pleasure to be with you today. We discussed
14 with you at a previous meeting and we now have a request for
15 \$1.5 million to finish up our project and we have spoken
16 about this as early as October of 2012. We've now come to
17 that point with our best efforts. And we come to you today
18 basically asking for a dollar for dollar match and we were
19 challenged to find some additional funds and we told the
20 Coalfield Coalition at that time we were planning to talk to the
21 Tobacco Commission for funds for this project and we've
22 discussed it with Scott County. Today we have the 4G
23 Wireless. This project will allow us to finish up the last four
24 towers to be constructed and we're presently allowed to
25 construct six towers; they're now operational. As far as 4G,

1 we've got one partially constructed and this will allow us to
2 finish all that.

3 MR. PICCHI: I'm Bob Picchi and I'm the
4 Project Manager of the Virginia Coalfield Coalition. As Skip
5 described, we have accomplished many great things. We've
6 completed the build out of 27 towers upgrading 4G and built
7 110 mile to provide protection for those towers. We upgraded
8 the electronics to provide back haul and provide 150 megabits
9 to serve each of the towers. We have completed six of the
10 eleven built towers and we have run out of money. We have
11 known for almost a year that we're going to be short of funds.
12 On August 1st, our Board of Directors suspended work from
13 Honaker, Vansant. We thought we had sufficient funds to
14 complete the Clintwood tower and we continued leading into
15 that tower and we ran out of money and we had to suspend
16 other work. Today we've spent all but \$30,000 of the \$11
17 million that was granted to us to accomplish this work.

18 DELEGATE KILGORE: When we first
19 funded this, why did you not get everything you thought, we
20 thought we were paying the full bill, what happened?

21 MR. PICCHI: The principal reason is that
22 we told Verizon we would build eleven towers or whatever the
23 needs were. We didn't know in advance what their
24 requirements were. They specified the most challenging and
25 most difficult to reach sites. Terry, one of the towers that we

1 developed, the original plan was that we would build eleven
2 towers at \$250,000 apiece. And we built one tower and it cost
3 us \$140,000 to bring electricity and fiber cable to the tower
4 before we turned a spade. Our average cost was running
5 something like \$660,000 per tower. What we're requesting is
6 to finish the project. We need \$160,000 to finish the
7 Clintwood tower. Clintwood is critical to the entire mesh
8 network for Verizon. As you've probably heard the
9 constituents and we actually brought service to that particular
10 market and they're extremely unhappy.

11 DELEGATE KILGORE: I heard that.

12 MR. PICCHI: The Honaker tower about
13 \$630,000 to finish and another tower on the other side of UVA
14 College at Wise about half a million dollars. Vansant about
15 \$600,000 and the Oakwood tower \$846,000. We have a 95%
16 probability that we will finish the project with the funds we
17 requested but I'll tell you we do not have the Oakwood tower
18 sited it. We have not found a suitable site.

19 To answer your original question, why
20 did this project cost so much, we had sited 23 potential sites
21 to and every time we'd go through a permitting process, we
22 had to spend a substantial amount of money to get approval,
23 environmental approval and many of the sites will not pass
24 muster and those are the two principal reasons.

25 Now, you'd like to see accomplishments

1 and you should and you want to see progress and I want to
2 emphasize we have accomplished quite a bit. Our board is
3 extremely pleased with the work that we have done. We have
4 executed our first lease where another carrier executed it last
5 week and I understand they counter-executed I'm told on
6 Thursday of last week. That will generate an additional \$2200
7 of rent per month for the DCC. We have market interest in
8 this project. So much so that the Virginia Coalfield Economic
9 Development Authority has agreed to lend us \$1.5 million to
10 finish this conditioned upon getting a matching grant from the
11 Tobacco Commission. We cannot finish this project without
12 your help. When we started it there were great unknowns and
13 today the region is almost completely blanketed with 4G
14 service. It's going to have a great impact for economic
15 development and attracting and retaining businesses.

16 MR. BALDWIN: I'm Jim Baldwin,
17 Cumberland Plateau Planning District. There are several
18 economic development projects and that will really move that
19 forward from the 4G service and if this all comes to fruition,
20 this is going to have a big impact on all of the economic
21 development projects in Southwest Virginia. Potential projects
22 that one of our counties is working on. This is a tremendous
23 benefit as you all know, by having this 4G service. We
24 certainly appreciate the Commission's efforts in working to
25 help us fund these projects and we certainly would like to ask

1 for some help to finish it up. Our goal as a coalition is to
2 continue to upgrade wireless service throughout the region.
3 We still have a couple communities that we need to work on
4 so we certainly appreciate your consideration.

5 DR. REDWINE: I have two brief
6 questions. Number one is the VCEDA, did they set a time
7 limit on it at all? In other words, did they say you need to do
8 this by X amount of time?

9 MR. SKINNER: It's my understanding
10 there isn't any time period. We didn't ask for a time period, so
11 I think we're good for at least a little while to get things up and
12 going.

13 DR. REDWINE: The second question is if
14 you had the \$3 million tomorrow, how long would it take you
15 to accomplish to complete this entire scope of this project that
16 you have listed under that?

17 MR. PICCHI: We believe we can complete
18 everything and turn it over to Verizon Wireless by July 2014.
19 We will finish the Clintwood tower and turn it over to Verizon
20 on January 24. We have the Vansant tower sited and the
21 Coleman tower and under option with the landowner now.
22 The greatest problem we have is Oakwood and we've gone to
23 four sites already and none has passed muster or we've been
24 able to get Verizon to agree to it. We believe July.

25 DR. REDWINE: This \$1.5 million is split

1 into two cycles in our meeting, that would significantly hold
2 you all up over time?

3 MR. PICCHI: I don't know if it would
4 hold us up but we negotiated an expandable time limit with
5 our engineer and we work on a 60 day payment cycle. If we
6 knew the money was coming, we could spend that money and
7 they would not expect collection until 60 days later and we
8 can work that out. But we're not in a situation here to dictate
9 terms to the Commission.

10 DR. REDWINE: I understand. You don't
11 have to be a brain surgeon to know we've got \$1.8 million and
12 we've got a lot of people asking for money and they all have
13 good projects. And we're not saying they're not. We're trying
14 to find a way to make this, we're trying to I guess you could
15 call it spread it out. Our next cycle would be applying by July
16 and answering in September. I'm throwing it out as an option.
17 If we came up with \$750,000 now that would give you a
18 million and a half with their match to start working and we'd
19 try to find another 750 later and that's a possibility.

20 MR. PICCHI: We've done everything we
21 could and Verizon Wireless and they're an operating partner
22 on this thing and we were going to deliver those towers in
23 October 2013, what I'm saying is I think we can work it out.

24 MR. PFOHL: Bob, has the Coalition
25 approached the federal government NTIA?

1 MR. PICCHI: Tim, we have worked with
2 Laura Blevins to help us look for any possible source of funds.
3 We also went back to Verizon Wireless and renegotiated our
4 terms and conditions trying to finish the project. My
5 recollection from Laura for one reason or another we don't
6 meet the criteria.

7 MR. PFOHL: It's either RUS or NCIA?

8 MR. PICCHI: There apparently was some
9 money in a farm bill for technology but I think that was stalled
10 and we turned over every possible stone we can.

11 DR. REDWINE: Thank you. Do you see
12 how easy this job is? We have two other tabled projects that
13 at this time, I know they spoke with both of the administrators
14 of those and the normal story is better be tabled until. AT this
15 time, I think the priorities are the two projects we've heard
16 from today and we're trying to find some solution. \$1.8
17 million in the fund and I'll open the floor for discussion among
18 the Committee members based on what you heard today.

19 DELEGATE KILGORE: If we address
20 Secure Mountain later on today in the Executive Committee
21 and ask for additional dollars over and above TROF, what can
22 this Committee do on this application before you for Secure
23 Mountain?

24 MR. BALLOU: In terms of the
25 Committee's authority for Secure Mountain.

1 DELEGATE KILGORE: The Southwest
2 Virginia Committee.

3 MR. BALLOU: It is my understanding I
4 thought that this one was actually from this Committee to the
5 Executive Committee, the application in its entirety.

6 MR. PFOHL: I thought that on rare
7 occasions, Economic Development Committee funds are
8 combined with TROF funds under all the performance terms
9 of the TROF agreement. So in those rare instances, Economic
10 Development funds are a supplement to TROF but subject to
11 the same performance claw back provisions.

12 MR. BALLOU: I think Tim said subject to
13 the same claw back performance.

14 DR. REDWINE: Comments or opinions
15 now is the time to be heard.

16 SENATOR CARRICO: What you're saying
17 is that the full Commission will authorize the full amount for
18 Secure Mountain with provisions to get –

19 DELEGATE KILGORE: If there's some
20 dollars available in this Committee to address Secure
21 Mountain and then we have some TROF dollars over and
22 above what's called for in the formula, is there a way to do
23 that?

24 MR. STEPHENSON: Mr. Chairman and
25 John Kilgore, I think there's two issues before you. The first is

1 how much money is it wise for you to give to Secure Mountain
2 and how many dollars is that. The second and far clearer
3 question is which check do you want to write it out of. But
4 the real question is how much money should you grant to
5 Secure Mountain.

6 MR. MONTGOMERY: You talked about
7 two hundred and fifty something and I sort of got lost on that.

8 MR. PFOHL: The prioritized activities
9 they've given us and it was mentioned earlier and there's five
10 priorities that are identified in this request by the company.
11 The first is construction of the site sitting on top of a mine
12 that's \$930,000 plus request. The second priority is lighting
13 and power in the mine \$375,000 and the list goes on.

14 MR. MONTGOMERY: What is the
15 \$250,000 –

16 MR. PFOHL: I'd have to ask Mr.
17 Foresman for that again.

18 MR. FORESMAN: The comment that I
19 made in negotiation that began after we met with you all in
20 the September timeframe and with a company client in the
21 northern Virginia region serving the financial services sector,
22 they have approximately 250 clients that they would be
23 bringing to the facility once we're at our initial operating
24 capacity.

25 MR. MONTGOMERY: Any possibility of

1 getting any money from the clients?

2 MR. FORESMAN: What I would say to
3 you is that the budget that we talked about, the \$26 million
4 into the facility and as was noted, we'll put at least \$25 million
5 worth of infrastructure. The technology investment is going to
6 be about \$100 million range. At some point in the future that
7 the infrastructure investment is very large. What I would
8 suggest to you is that they're not going to be looking to pay the
9 cost of establishing the facility. They want to be able to come
10 into a turnkey facility.

11 SENATOR CARRICO: I make a motion
12 that we take \$300,000 and put it toward and combined with
13 Special Projects or TROF I mean and if that would meet the
14 criteria of the TROF for the project.

15 DR. REDWINE: All right, members of the
16 Committee the motion would be that we take \$300,000 out of
17 today's available funds and combine it with anything approved
18 in TROF or the Executive Committee and all money would be
19 subject to the criteria outlined under the TROF. Are there any
20 questions? Any discussion on that motion? Do I have a
21 second?

22 MS. RHINEHART: Second.

23 DR. REDWINE: Any discussion? All
24 those in favor signify by saying aye. (Ayes.) Opposed? (No
25 response.) That's a piece and we will note that the total piece

1 is based on anything that happens in the other Committee,
2 understood? All right, thank you sir. That leaves our balance
3 at roughly –

4 MR. PFOHL: \$1,523,020.

5 SENATOR CARRICO: Now, the Coalfield
6 Coalition, since there's a contingency from VCEDA on this
7 project, I would make the motion that we do the \$1.5 million
8 to expand the project.

9 DR. REDWINE: The motion is that we
10 grant \$1.5 million as a match on the 4G project to the money
11 that's already been approved by VCEDA and help them finish
12 the project up. Is there a second?

13 MR. MONTGOMERY: Second.

14 DR. REDWINE: Mr. Montgomery seconds
15 that. Any discussion?

16 DEPUTY SECRETARY CARTER: I want
17 to make sure I understand this correct. Is this money that's
18 in the project approved?

19 DR. REDWINE: That money has already
20 been approved and it was voted on and it is referred. Any
21 discussion on the motion? All those in favor say aye. (Ayes.)
22 Opposed? (No response.) The motion carries. That leaves a
23 balance of roughly \$23,000 and we still have a couple of
24 tabled projects we'll deal with I'm sure at some point in time.

25 MR. MONTGOMERY: The Riverside

1 Project.

2 DR. REDWINE: We're going to leave it on
3 the table. We talked with Mr. Kilgore and he's involved in both
4 of those and we'll deal with that when they get further along
5 on the project. Any other business? We have time for public
6 comments briefly.

7 MR. MONTGOMERY; I think Dr.
8 Johnson or Mr. Debussy.

9 MR. DEBUSSY: Members of the
10 Commission or the Committee and Mr. Chairman, since the
11 26th of September we worked six, sometimes seven days a
12 week and we've made a lot of progress and that's what we're
13 supposed to do, make progress. I'm standing here to let you
14 know exactly where we're at and that's what we're wanting to
15 do today. We're going forward and accomplishing what we
16 need to do. We've got facilities and we've got some handouts
17 here to show you and with all our students we've heard a lot of
18 things and I know you have but this is a veterinary medicine
19 school. You've got to have all these things going on if you're
20 going to be successful and it's not just bricks and mortars. I'd
21 like to address some of that a little later. At this time, Jason
22 would like to talk to you about physical facilities.

23 DR. JOHNSON: I'd just like to take a
24 couple of brief moments. Since September 26, we've been
25 moving very rapidly with our facilities and our teaching and

1 research center. This is a core facility where very student to
2 come through for the doctor of veterinary medicine training for
3 their degree and our technology students. We have a few core
4 buildings that we're working on and supported by the
5 Commission. I want to have this passed around, which will
6 show you concerning the timeline for the buildings.

7 The primary need at this point is to be
8 operational in the fall of 2014. We have students headed our
9 way. In order for them to get there, we have one more need
10 that's what we're going to ask you to help us with. That's to
11 finish up our equine teaching facility. We've got the bovine
12 facility in the main buildings and lecture halls and all that
13 stuff is finished. We still have great need and I'm going to
14 pass this around and we've broken it down by years for our
15 needs and that's what we're asking you to help us with.

16 The equine building and our plans are to,
17 you can see those plans and those buildings in the material
18 that's being passed out. We're really excited about what this s
19 going to be and since we've already got these students headed
20 our way. This is going to be a one of a kind facility in the
21 country and especially here in Virginia.

22 MR. DEBUSSY: We've had to move very
23 quickly and the instructors, we had some construction going
24 on that was to modify these buildings so that they would be
25 used for the teaching to serve the purpose of the clinical work

1 and what have you. We've got a good starting place and we've
2 been able to move and this has been a real challenge. Let's
3 talk about the facility. You know, to give a school of medicine,
4 there's only been three in 36 years, two of them were last year
5 and some people out on the west coast who were financially
6 capable managed to get one. We've had to do it on our merits
7 and what our needs were in the Appalachian area. They
8 certainly realized we had a need and ended up being awarded
9 a school of veterinary medicine accreditation. We went to
10 Florida and hired a doctor who had been at Ohio State eleven
11 years and Florida seven years and we convinced him to come
12 up here and head this thing up starting in January this year
13 2014. He went and picked up Dr. Henry from University of
14 Tennessee and then he went to Ohio State and picked up a
15 doctor who was well-published and a physiologist and that's
16 two of the most difficult areas of education and so we have
17 some very well qualified people. Then he picked up another
18 doctor, who until last year was interim president of and this
19 person was very well educated and holds various degrees in
20 veterinary medicine and world renowned. Bringing in those
21 kind of people, we've got 15 or 20 professors that serve in
22 various fields and those are the pieces you need when you're
23 teaching this type of medicine. So we have really, really
24 developed to get a really good faculty in order to move forward.
25 We've got some more people coming on board, better

1 affiliations. This facility is really something. The American
2 Medical Association has been on board. There's a big need for
3 these kind of people in this country especially in rural areas.
4 So what I'm saying to you is that we're in the right place at the
5 right time.

6 I don't know if Jason talked to you about
7 the student and he's been doing part of this and he's been
8 doing a lot of hard work in doing this.

9 DR. JOHNSON: We've had hundreds and
10 hundreds of applicants and great applicants is what we're
11 saying, many great applicants from Virginia as well. They're
12 coming from Southwest and Southside. We've got five
13 applicants that have already come through and met our
14 criteria and being enrolled. These were some of the students
15 that had applied in the past. So we're very happy with the
16 applicants that we're getting. In Southwest Virginia and
17 Southside Virginia, about eighty percent of the veterinarians
18 are located in this area. We're filling these spots with
19 students after school going into these practices. So we think
20 we're going to do very well with that.

21 MR. DEBUSSY: We talk about locations
22 and residency, what we've done is five major cities and to the
23 animal shelters that are well funded. That amounts to about
24 16,000 animals in a year. We've got five shelters set up and
25 we'll do a lot of our rotations there. Another thing we've got

1 set up is we've got some feed lots set up involving large
2 animals. Are you all familiar with the --- there's about 850 of
3 them across the country. Our people have met with their
4 people. But as the word gets out and as we have these
5 students go out after their training and we're also working
6 with this surgery centers across the country and students get
7 rotations that way. As you can see, we've made some real
8 moves since we talked to you last time about setting this thing
9 up. This all has to come together in order to be successful.
10 We've tried to cover all these things to have a quality school in
11 Lee County, Virginia. I know that's rather fast to go through
12 all that, but are there any questions?

13 DR. REDWINE: Thank you, sir. We're
14 proud of our investment down there and we trust you all to
15 continue to move ahead with it and we'll look forward to try to
16 help you finish your plan and just keep us updated.

17 MR. DEBUSSY: I have one last request.
18 Send us some students.

19 DR. REDWINE: Sure, I understand you.
20 Thank you. Any other comments? Hearing none, the
21 Southwest Committee will stand adjourned.

22

23 PROCEEDINGS CONCLUDED.

24

1 CERTIFICATE OF THE COURT REPORTER

2

3 I, Medford W. Howard, Registered Professional

4 Reporter and Notary Public for the State of Virginia at large,

5 do hereby certify that I was the court reporter who took down

6 and transcribed the proceedings of the **Virginia Tobacco**

7 **Indemnification and Community Revitalization**

8 **Commission, Southwest Economic Development**

9 **Committee meeting, when held on Monday, January 6,**

10 **2014 at 2:30 P.M. at the Hilton Richmond Hotel &**

11 **Spa/Short Pump, 12042 West Broad Street, Richmond,**

12 **Virginia.**

13 I further certify this is a true and accurate

14 record, to the best of my ability to hear and understand the

15 proceedings.

16 Given under my hand this 22nd day of January,

17 2014.

18

19 _____

20 Medford W. Howard

21 Registered Professional Reporter

22 Notary Public for the State of Virginia at Large

23

24 My Commission Expires: October 31, 2014.

25 Notary Registration Number: 224566